FY3/02 Results Briefing

Forward Looking Statements

The figures contained in this DATA BOOK with respect to the plans, strategies and other statements that are not historical facts of AIFUL and its subsidiaries and affiliates (hereinafter AIFUL) are forward-looking statements about the future performance of AIFUL which are based on management's assumptions and belief in light of the information currently available to it and involve risks and uncertainties and actual results may differ from those in the forward-looking statements as a results of various facts. Potential risks and uncertainties include, without limitation, general economic conditions in AIFUL'S market and changes in the size of the overall market for consumer loans, the rate of default by customers, the level of interest rates charged by AIFUL. This DATA BOOK does not constitute any offer of any securities for sale.

Friday, May 10, 2002 2:00pm

AIFUL CORPORATION

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Agenda for FY3/02 Results Briefing

1. **Highlights of FY3/02 Results (President & CEO Yoshitaka Fukuda)**
2. **Review of FY3/02 Results (President & CEO Yoshitaka Fukuda)**
   i. Bad debts
   ii. New account trends
   iii. Product diversification (=portfolio strategy)
   iv. Fund procurement trends
3. **8th Medium-Term Business Plan (President & CEO Yoshitaka Fukuda)**
4. **Highlights of FY3/03 Targets (President & CEO Yoshitaka Fukuda)**
5. **FY3/03 Priority Initiatives (President & CEO Yoshitaka Fukuda)**
   i. Outlook on FY3/03 business environment
   ii. Open contact center = improve efficiency
   iii. Introduce 7th scoring = improve credit accuracy
   iv. Pursue management efficiency
6. **LIFE (LIFE General Planning Division General Manager Katsuhiko Nagasue)**
7. **Key Statistics (AIFUL Finance Planning Dept. General Manager Shingo Kurema)**
8. **Appendix**

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(1) Consolidated

(¥mn)	FY3/01	FY3/02	YoY change
Total Assets	1,865,537	2,029,633	8.8%
Loans outstanding (managed)	1,820,851	2,002,045	10.0%
Loans outstanding (B/S)	−	1,756,590	−
*Loans (managed)	1,407,635	1,635,954	16.2%
*Loans (B/S)	−	1,482,796	−
Operating revenue	280,656	397,162	41.5%
Operating expenses	176,323	285,832	62.1%
Operating income	104,333	111,329	6.7%
Ordinary income	103,533	105,067	1.5%
Net income	48,252	35,063	▲27.3%
EPS	569.32	390.00	▲31.5%
ROA	2.6	1.8	−

*Figures exclude card shopping balances, shinpan finance, guarantees.

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(2) AIFUL non-consolidated

(¥mn)	FY3/01	FY3/02	YoY change
Total Assets	1,586,409	1,740,868	9.7%
Loans outstanding	1,159,734	1,313,690	13.3%
Unsecured loans	921,891	1,019,292	10.6%
Secured on real estate	225,644	277,671	23.1%
Small business loans	12,198	16,726	37.1%
Operating revenue	270,827	307,272	13.5%
Operating expenses	167,507	196,830	17.5%
Operating income	103,319	110,442	6.9%
Ordinary income	103,372	107,515	4.0%
Net income	48,512	38,349	▲20.9%
EPS	572.38	426.54	▲25.5%
ROA	3.5	2.3	–

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(3) Group companies ①

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(¥mn)	LIFE (Managed assets)	LIFE (On-balance sheet)	Happy	Shinwa
Loans outstanding	612,509	369,800	32,428	21,169
Operating revenue	79,824	74,012	7,987	5,249
Operating expenses	77,891	72,079	7,439	4,342
Operating income	1,933	1,933	547	907
Ordinary income	2,404	2,404	548	913
Net income	10,908	10,908	152	347
AIFUL's equity	95.9%	95.9%	100.0%	100.0%

Life has recently raised ¥245bn through loan asset securitisation, hence the difference between outstanding loans on a managed basis and the balance sheet figure.

(3) Group companies ②

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(¥mn)	Businext	Sanyo	Marutoh
Loans outstanding	8,116	11,387	0
Operating revenue	366	2,361	45
Operating expenses	3,037	2,448	35
Operating income	▲2,671	▲ 86	10
Ordinary income	▲2,595	▲ 79	16
Net income	▲2,600	▲389	10
AIFUL's equity	60.0%	100.0%	100.0%

- Sumitomo Trust owns 40% of Businext's equity.
- Sanyo was formerly a 100% owned subsidiary of Life.
- Marutoh is the group's real estate management subsidiary. It is newly consolidated from FY3/02, since the parent company has sold real estate to Marutoh in order to realize a loss.

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i. Bad debts：① Reasons for increase in bad debts

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◆ **Macroeconomic factors: Economic recession**

- **High unemployment rate**
- **Record high personal bankruptcies of 160,000 per year**

→ **These are both cyclical factors**

Write-off rate

%	3/01	3/02	YoY change
Write-off（ALL）	3.52	4.10	58bp
(Unsecured loans)	4.12	4.86	74bp

◆ **Systemic factors: Increase in legal mediation and bankruptcies**

- **Lawyers seeking to have the legal interest rate ceiling revised.**
- **Start of personal bankruptcy rehabilitation and special arbitration (has little real effect, but serves to jump-start the number of bankruptcy filings)**
- **Ban lifted on advertising for legal services**

→ **this increase in legal activity has brought forward a number of bankruptcies, but we consider it a temporary factor**

→ **other factors affecting bankruptcy appear to be moderating**

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i. Bad debts : ② Reasons for increase in write-off rate

◆ Shorter timeframe for write-off rate

- Bankruptcies account for higher percentage of write-offs
  → Unlike the default category, bankruptcies are written off prior to loan maturity
- Growth rate in personal bankruptcies and AIFUL's write-off rate are nearly equal
- Bankruptcies (9/00 → 9/01 =+16%)
- Write-off rate (3/01 → 3/02 =+16%)

Breakdown by reasons for write-off

Category	3/99	3/00	3/01	3/02
Bankruptcy	49.8%	47.4%	44.7%	48.8%
Mediation (Settlement)	5.8% (10.0)	5.5% (10.5)	7.4% (14.4)	5.1% (16.6)
Unknown	28.0%	30.6%	28.2%	23.2%
Default	12.2%	11.5%	12.8%	11.5%

◆ Relation between size of loan and write-off rate

- Taking the FY3/01 write-off rate for loans in the ¥400,000 to ¥500,000 range as '100', the spread of write-off rates by loan size is →

Loans outstanding	3/01	3/02
Under ¥100,000	228	214
¥100,000 to ¥200,000	152	164
¥400,000 to ¥500,000	100	110
¥500,000 to ¥1,000,000	67	83
Over ¥1,000,000	20	36

i. Bad debts : ③ Credit management flow (unsecured loans)

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◆ Thorough maturity management

Days in arrears	1〜32	33〜	90〜152	153〜334	335+ or bankruptcy
AIFUL categories	Overdue Loan	Defaulted loan (default = 1 month+ in arrears)		Transferred Loan	Write-off
Jurisdiction	Branch			Management center (collection center)	
FSA's four categories of non-performing loans	Ordinary loan		Loan 3 months+ in arrears (divided by easing terms)	Loan in arrears	Loan to bankrupt party
Treatment on P/L	Recorded as accrued revenue			Not recorded as accrued revenue	
Treatment on B/S	Balance recorded				Balance not recorded

◆ Write-off standard

Category	Write-off timing (from receipt of last installment)
Bankrupt	Immediate (transfer, write-off at fiscal year end)
Unknown	6 months (when transfer time is unknown)
Default	12 months

i. Bad debts : ④ Change in loan quality

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◆ Loans 1-month+ in arrears →
(cancellation/accrual)
= up 63bps

Company standard	9/00	3/01	9/01	3/02
Loans 1 months in arrears	4.312%	4.321%	4.708%	4.956%

◆ 4 categories of loans in arrears →
= up 51bps
Loans with eased terms →
= up 29bps
Loans to bankrupt parties →
= up 14bps

◆ Reserve ratio →
Level comparable to percentage of loans in arrears

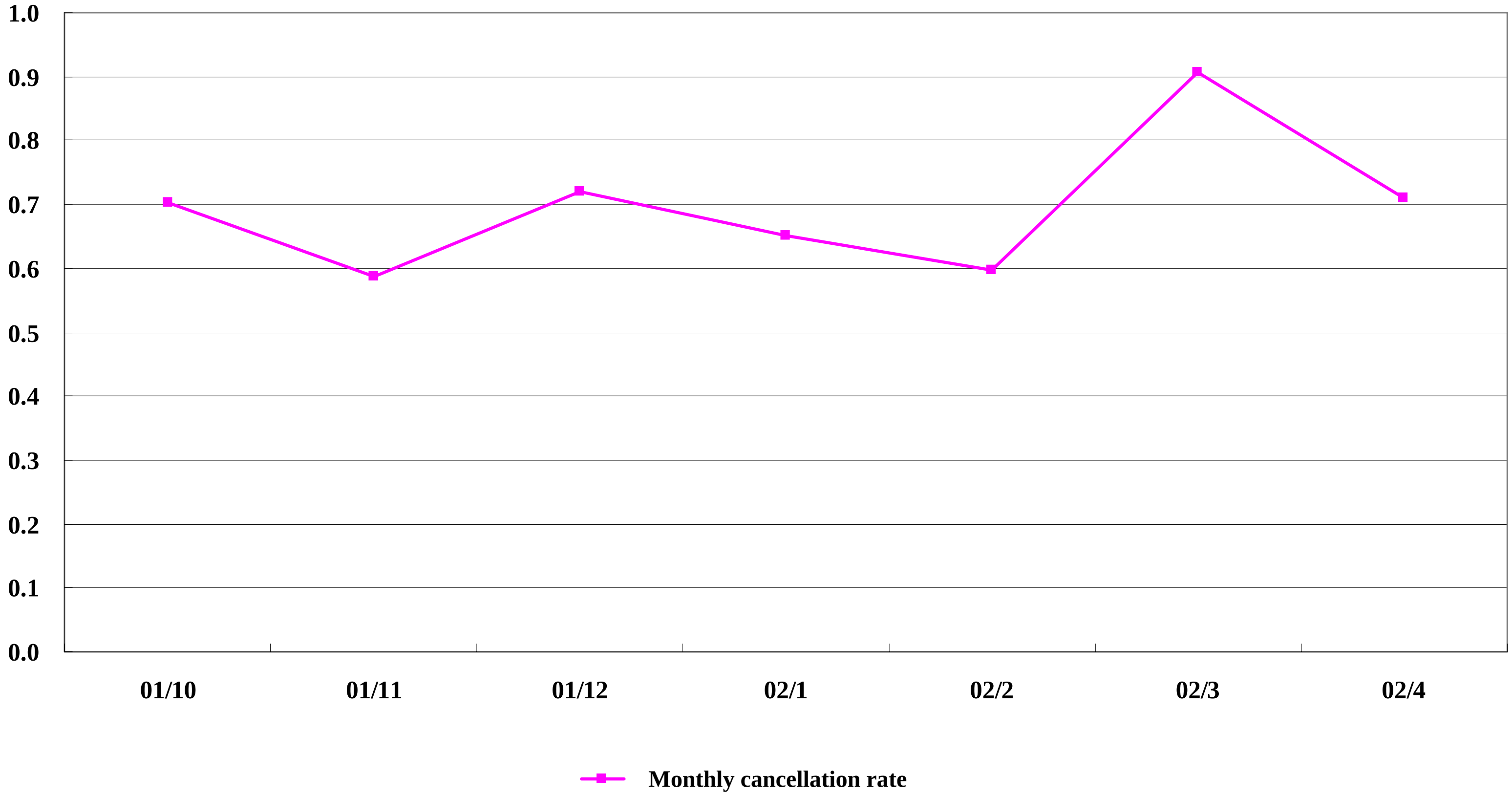
Common standard	9/00	3/01	9/01	3/02
Total FSA 4 categories	4.15%	4.15%	4.27%	4.66%
Loans with eased terms	2.52%	2.58%	2.65%	2.87%
3-months in arrears	0.60%	0.56%	0.68%	0.64%
Loans in arrears	1.03%	1.01%	0.91%	1.00%
Loans to bankrupt parties	–	–	0.04%	0.14%
Allowance for bad debts	5.51%	5.25%	5.25%	5.78%
Current assets	3.66%	3.89%	3.93%	4.47%

◆ Customer attributes →
= not changing

Existing average LE accounts	2.70	2.71	2.70	2.70
New average LE accounts	1.37	1.34	1.29	1.29
Ratio of new zero accounts	35.3%	36.1%	37.7%	37.0%

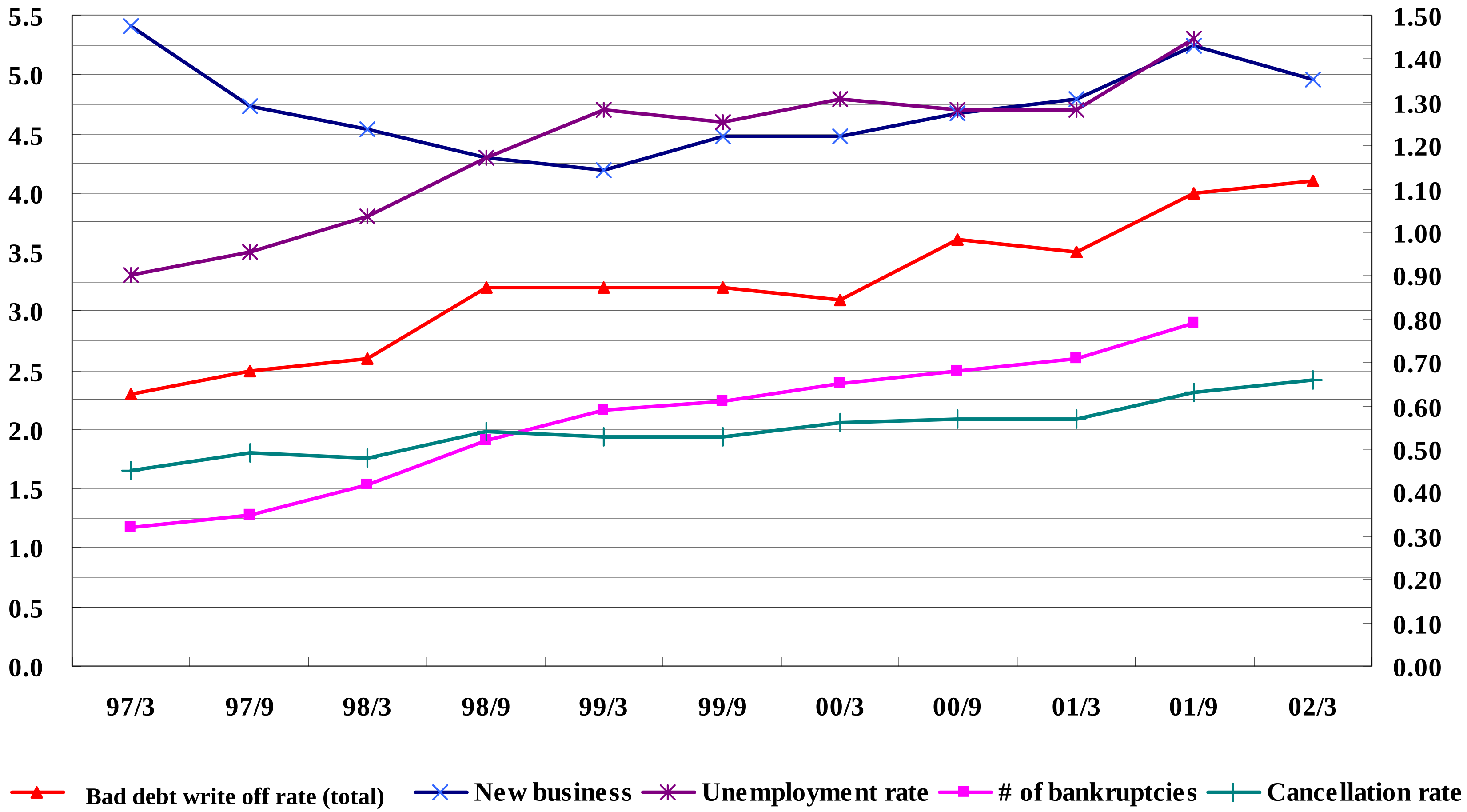
i. Bad debts : ⑤ Forecast – short term trend

Contract cancellations reflect loans more than one month past due.



i. Bad debts：⑤ Forecast - Mid-long term trend

The relationship between macro indicators (unemployment and personal bankruptcies), new loan originations, cancellations and write-offs.



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ii. New account trends in FY3/02

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Slower growth of 2%, or 462,000 new accounts

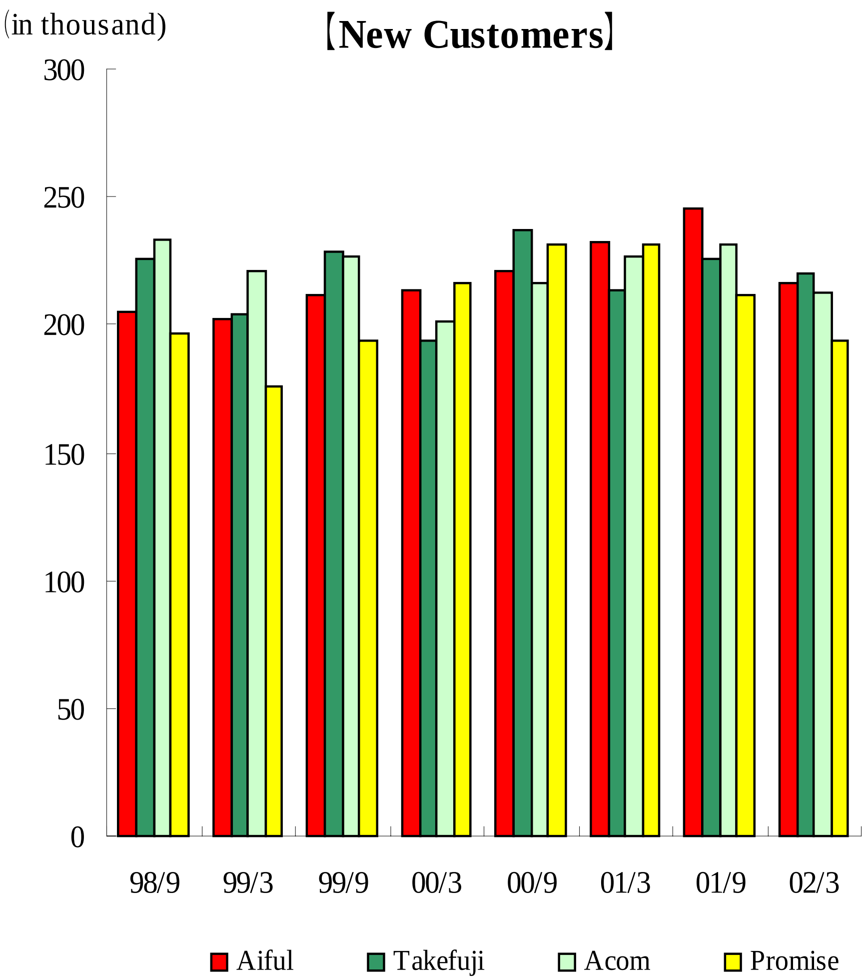
♦ **2H saw first YoY decline in three years**

→However, the market is still not saturated

- **Reluctance to take on debt due to economic slump**
- **Effect of the lifted ban on prime time commercials now receding**
- **Boredom with AIFUL's commercials**
- **Lower contract conclusion rate due to cautious credit policy**

♦ **Boosting measures**

- **Advertising auditing project**
  Launch new commercials (targeting impact)
  Enhance branch locations, sign locations etc.
- **Brand improvement efforts**
- **Examine branch efficiency**
  (Also reopen branches based on results of examination)



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iii. Product diversification (= portfolio strategy)

<Real estate secured loans>

- Market aggressively as a “customer targeted” (consolidation) product

Loans outstanding (millions of Yen)	277,671
Growth rate	23.1%
Accounts	75,000
Average value	¥ 3,699,000
Average interest rate	17.1%
Write-off rate	1.41%

Mortgage ranking	Ratio
First	50.8%
Second	32.3%
Third+	17.0%

Collateral value	Ratio
up to 70%	79.5%
up to 40%	36.4%
70-100%	20.5%

<Small business loans>

- Market strategically (with an eye on economic trends) as a “customer targeted” (target) product

Loans outstanding (millions of Yen)	16,726
Growth rate	37.1%
Accounts	13,000
Average value	¥ 1,195,000
Average interest rate	26.9%
Write-off rate	2.62%

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iv.Fund procurement trends ① General conditions

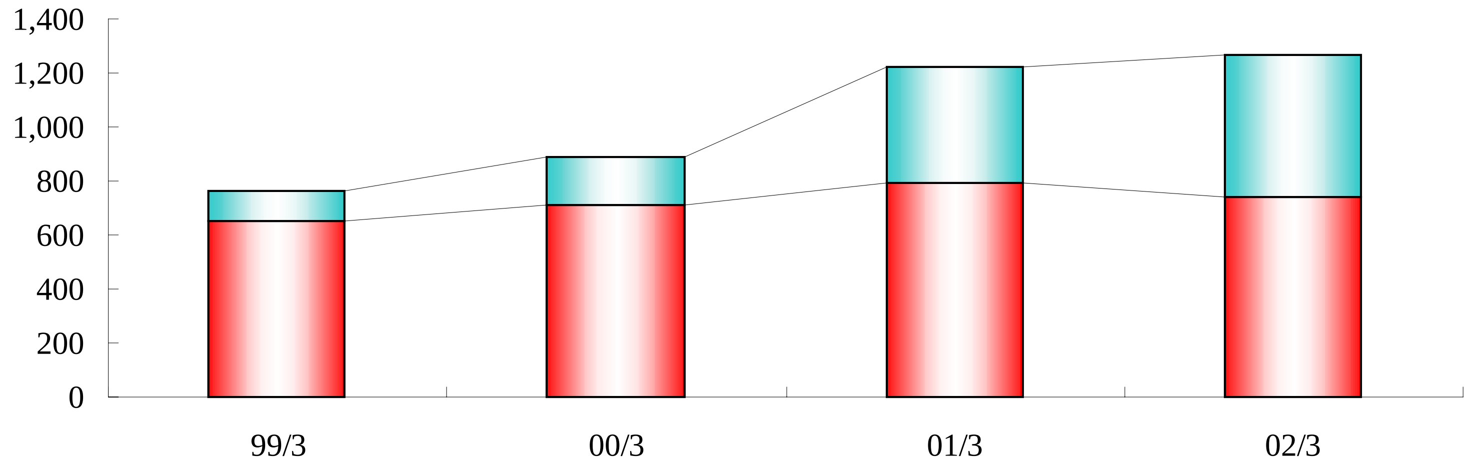
Benefiting from low interest rate environment

- Narrowing of long-term prime spread, ongoing bond issuances

Strengthening relations with main banks

- Strengthening relations with Sumitomo Trust & Banking and core banks

Funding Structure



Funding Cost	3.03%	2.79%	2.45%	2.30%

Borrowings SB, CP, ABS

iv.Fund procurement trends: ② Fine tuning & contingency response

- **Securitisation of loans receivable**
  Diversifying financial methods and reducing funding cost
- **Commitment line**
  Responding to uncertainty in the financial system

	00/3	Breakdown (%)	01/3	Breakdown (%)	02/3	Breakdown (%)
Borrowings	707,668	79.3	791,674	64.9	741,855	58.7
CP･SB etc	184,500	20.7	427,500	35.1	521,124	41.3
CP	15,000	1.7	15,000	1.2	15,000	1.2
SB	169,500	19.0	377,500	31.0	422,500	33.5
ABS	－	－	35,000	2.9	83,624	6.6
Total	892,168	100.0	1,219,174	100.0	1,262,979	100.0

Funding cost	2.79	2.45	2.30
Direct	2.34	2.14	1.96
Indirect	2.90	2.62	2.53

《reference》

Long term prime rate	2.20	1.90	2.30

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i. Medium term business environment

'Next three years: eighteen months of disruption, then eighteen months of opportunity'

→in the first 18 months, al the major players will need to clear away the legacy of old problems

(Aiful: clear out problem real estate, Other companies: adopt more realistic bad debt write-off policies)

- ***'Legal interest rate ceiling revised again, June 2003'***

- ***' Bank affiliate loan companies and other players move into battle'***
  - *" Aerial dogfight"* in the lower interest rate segment – loans to *"middle risk"* customers, delivered through new channels
  - <u>But the real*"ground war"* will be between the existing retail finance players</u>
  - The air war will be important for brand management and market surveillance. But the real fight is the one on the ground
  - Next 3 years will confirm importance of *"2B1C"* = Branches, Brand, Credit line

→THE REAL TEST IS COMING

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ii. Market forecast

◆ Existing specialized consumer finance market

- Slow growth through to 2003 due to customer restraint and lower usage rates
- as a result of the slumping economy
- Economic recovery and renewed usage growth from 2004
- Enter period of stable growth by 2007, market valued at ¥13.2 trillion in 2010 (1.5x increase over ¥8.8 trillion in 2000)

◆ New consumer credit market

= credit sales + current consumer finance+ cash advance + guarantees

- From approx. ¥38 trillion in 2000 to approx. ¥45 trillion in 2010 (65% of overall consumer credit market)

→ AIFUL Group to establish hegemony in new consumer credit market

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iii. Underlying theme of the 8th mid-term management plan (Period：April 2002〜March 2005)

“ Value Up” : Maximize Enterprise Value

= “Establish a general financial group which satisfies all customer needs in the retail business”

I. Explore synergies via organic combinations among group companies.

Strengthen financials by pursuing synergies in order to overcome uncertainties such as increasing bad debt expenses, maximum interest rate revisions, and borrowing rate hikes.

II. Establish the group brand

Enhance the brand power based on the unified concept of “Secure & Creative Company”.

III. Be a pioneer under the structural reform taking place in the consumer credit market.

Diversify the product and sales channels and further promote alliances & M&A. “Turbulent Age”＝ Proactively responding to structural changes.

Based on “the 3 year initiative of internal fulfillment”, “3 years of revolution” shall occur concurrently.

→ ***“To be the winner at a turning point”***

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iv. Overview of the 8th Mid-Term Business Plan
(in comparison with the 7th Mid-Term Plan)

	7th Mid-Term Plan (Parent-only)		8th Mid Term Plan (Consolidated)
	Initial Plan	Actual as of March 2002	March 2005 Plan
Managed loans outstanding (Average growth rate)	¥ 1,300 billion -	¥ 1,313.7 billion 16%	¥ 3 trillion (Aiful ¥ 1.7 trillion) 13%(Parent-only : 8%)
Industry share	14%	13.9%	-
Ratio of expenses to loan balance[1]	- (12%)	8.6% (12.7%)	7.5% (-)
Recurring profit	¥ 100 billion	¥ 107,3 billion	¥ 200 billion
ROA[2]	3.7%	3.5% (2.3%)	Over 3.0% (Parent only 3.5%)
Branch network	1,500	1,590	2150 branches
Strategic objectives	Strategic M&A Entry into card business M&A・Alliance	Acquired Happy, Shinwa and Life Businext	Strengthen group management structure Improve the group brand Restructure through M&A and alliances

1: Parent only basis. In order to clarify the target rate for expenses, a new standard was introduced from the 8th mid-term plan onward, eliminating bad debt expenses which are likely to be affected by economic situations. The figures in parenthesis describe the former standard including bad debt expenses.
2: For March 2002, the figures are adjusted to exclude the impact of extraordinary losses and of new issuance cost, etc (the numbers in parenthesis are inclusive of these costs)

i. Consolidated

(¥mn)	FY3/02	FY3/03 (Forecast)	YoY change
Loans outstanding (managed)	2,002,045	2,239,587	11.9%
Loans outstanding (B/S)	1,756,590	1,926,340	9.7%
Loans (managed)	1,635,954	1,841,074	12.5%
Loans (B/S)	1,482,796	1,663,277	12.2%
Operating revenue	397,162	452,573	14.0%
Operating expenses	285,832	321,353	12.4%
Operating income	111,329	131,220	17.9%
Ordinary income	105,067	127,000	20.9%
Net income	35,063	66,682	90.2%
EPS	390.00	715.81	83.5%
ROA	1.8	3.1	—

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ii. AIFUL non-consolidated

(¥mn)	FY3/02	FY3/03 (Forecast)	YoY change
Loans outstanding	1,313,690	**1,436,198**	**9.3%**
Unsecured loans	1,019,292	**1,090,119**	**6.9%**
Real estate loans	277,671	**325,509**	**17.2%**
Small business loans	16,726	**20,569**	**23.0%**
Operating revenue	307,272	**331,372**	**7.8%**
Operating expenses	196,830	**212,690**	**8.1%**
Operating income	110,442	**118,680**	**7.5%**
Ordinary income	107,515	**119,000**	**10.7%**
Net income	38,349	**62,841**	**63.9%**
EPS	426.54	**674.58**	**58.2%**
ROA	2.3	**3.5**	**-**

4. Highlights of FY3/03 Targets

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iii. Group companies-1

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(¥mn)	LIFE (managed assets)	LIFE (On balance-sheet)	Happy	Shinwa
Operating revenue	101,076	99,037	9,434	6,366
Operating expenses	93,263	91,223	8,244	4,837
Operating income	7,813	7,813	1,190	1,529
Ordinary income	8,000	8,000	1,231	1,535
Net income	5,228	5,228	674	763
AIFUL's equity	95.9%	95.9%	100.0%	100.0%

4. Highlights of FY3/03 Targets

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iii. Group companies-2

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(¥mn)	Businext	Sanyo	Marutoh
Operating revenue	1,705	2,864	786
Operating expenses	2,728	2,350	398
Operating income	▲1,023	514	387
Ordinary income	▲1,023	515	145
Net income	▲1,028	242	262
AIFUL's equity	60.0%	100.0%	100.0%

5. FY3/03 Priority Initiatives (excludes LIFE)

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i. Outlook for FY3/03 business environment

Despite signs that the economy is bottoming out, a clear recovery trend has yet to emerge

(1) New loan originations

	FY3/02	FY3/03 (Forecast)	YoY change
1H	245,000	224,000	▲9%
2H	217,000	225,000	4%
Full year	462,000	449,000	▲3%

(2) credit quality

	FY3/02	FY3/03 (Forecast)	YoY change
Write-off rate (ALL)	4.10%	4.49%	▲39bp

◆ **Theme:** ***"A stepping stone for further growth"***

→ "Revolutionary year" to make great strides by capturing the turning point

→ To that end, sales targets are set conservatively

ii. Open contact center = improved efficiencies

Objectives

1) **enhance sales capabilities**
2) **enhance collection capabilities**
3) **achieve cost efficiencies particularly in personnel expenses**

Organization

1) **Nationwide coverage with two centers**
   - Western Japan contact center (scheduled to open 10/02)
   - Eastern Japan contact center (scheduled to open mid-year)

2) **Transfer the majority of work from sales branches**
   - In charge of brandling new accounts, responding to inquiries, telemarketing, and arrears claims and collection
   - Sales branches (staffed branches) to step up efforts for real estate secured loans and small business loans

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iii. Introduce 7th scoring = improve credit accuracy

1) Improve new customer credit assessments

- New stand-alone category for part-time workers
- Change from type II quantification to decision tree system

2) Better credit checking of existing clients

- More cautious examinations when raising credit limits

→ Approach to credit scoring : A good balance between "*offense*" and "*defense*"

iii. Pursue management efficiency

◆ Pursue cost efficiencies

- Cut advertising costs by 10% as a result of the advertising audit project
- Contact center

◆ Pursue group synergies - cost reduction

- Fully consolidate the headquarters of small subsidiaries (Happy Credit, Shinwa, Sanyo Shinpan) as departments within AIFUL's headquarters (completed)

- Share credit, marketing, and other expertise and resources
  → Scoring model
  → Contact center
  → System development

◆ Funding initiatives

(¥mn)	FY3/02	YoY%	FY3/03 (Forecast)	YoY%
Total managed assets	612,509	1.0%	687,641	12.3%
Installment receivables	224,213	▲0.5%	260,978	16.4%
Credit card	61,513	▲2.5%	72,910	18.5%
Installment credit	162,671	0.2%	188,046	15.6%
Car loans	15,556	▲54.0%	6,698	▲56.9%
Specific +General	131,022	24.4%	168,461	28.6%
Loans	250,903	27.6%	312,550	24.6%
Credit card cash advance	160,138	23.2%	186,478	16.4%
Cash Plaza	89,560	39.1%	125,081	39.7%
Guarantee receivables	137,392	▲25.5%	114,113	▲16.9%
Partner loans	22,627	▲58.5%	8,965	▲60.4%
Bank guarantees	69,287	▲12.6%	65,242	▲ 5.8%
Home loans	45,477	▲10.2%	39,905	▲12.3%

Credit card Business (¥mn)	FY3/02	Increase	FY3/03 (Forecast)	Increase
Number of active cardholders	8,716	1,233	9,786	1,070
Proper cards	1,387	540	1,408	21
Co-branded cards	7,328	692	8,378	1,050
Number of new cards issued	1,794	▲148	1,870	76
Proper cards	177	103	313	136
Co-branded cards	1,617	▲252	1,557	▲60
Per unit cashing amount	216	6.4	224	-

Total purchases	FY3/02	Increase	FY3/03 (Forecast)	Increase
Installment credit	104,531	55.7%	138,600	32.6%
Credit card business	425,446	15.0%	490,692	15.3%
Credit card shopping	233,633	6.6%	265,963	13.8%
Credit card cash advance	191,813	27.1%	224,729	17.2%

(¥mn)	FY3/02	YoY%	FY3/03 (Forecast)	YoY%
Operating Revenue	**79,824**	**-**	**101,076**	**26.6%**
Credit card	**7,177**	**-**	**7,607**	**6.0%**
Installment credit	**11,565**	**-**	**13,448**	**16.3%**
Credit card cash advance	**32,007**	**-**	**41,841**	**30.7%**
Cash Plaza	**19,352**	**-**	**27,317**	**41.2%**
Guarantees	**3,992**	**-**	**3,458**	**▲ 13.4%**
Bad debt write-offs recovered	**1,684**	**-**	**2,328**	**38.2%**
Others	**4,043**	**-**	**5,072**	**25.5%**
Operating expenses	**77,891**	**-**	**93,263**	**19.7%**
Financial expenses	**9,235**	**-**	**7,604**	**▲ 17.7%**
Bad debt costs	**17,397**	**-**	**26,558**	**52.7%**
Advertising expenses	**4,583**	**-**	**4,727**	**3.1%**
Salaries	**14,969**	**-**	**17,315**	**15.7%**
Others	**31,706**	**-**	**37,056**	**16.9%**
Operating income	**1,933**	**-**	**7,813**	**304.2%**
Ordinary income	**2,404**	**-**	**8,000**	**232.8%**
Net income	**10,908**	**-**	**5,228**	**▲52.1%**

6. LIFE —Strengthen credit card and consumer finance business

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- **Credit card business**
  - Card membership 7,480,000 (3/01) → 8,710,000 (3/02) = +16.5%
  - SP cards 870,000 (3/01) → 1,060,000 (3/02) = +21.2%
  - CS cards 640,000 (3/01) → 740,000 (3/02) = +15.5%

- **Credit card business specific measures**
  - Strengthen current partnerships (Deed and Aoyama)
  - Issue co-branded cards (GLAY cards: 7/01)
  - Increase the amount of credit granted (introduce SCR)
  - Expand website functions , Deliver statements via email (11/01)

- **Installment credit business**
  - Affiliated stores 73,000 stores (3/01) → 76,000 stores (3/02)
  - Total purchases ¥7.4 billion (monthly average 4-9/01) → ¥10.0 billion (10/01-3/02)
  - Profit margin 10.8% (4-9/01) → 11.3% (10/01-3/02)

- **Installment credit business specific measures**
  - Delegate authority to sales locations
  - Clarify standard profit margin
  - Improve branch office sales capabilities (involve all in-house staff in sales work)

6. LIFE - Portfolio restructuring

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- **Businesses being phased out due to low profitability**

Car loans	**¥33.7 billion (3/01) → ¥15.5 billion (3/02) = -54.0%**
Partner loans	**¥54.4 billion (3/01) → ¥22.6 billion (3/02) = -58.5%**
Home loan guarantees	**¥50.6 billion (3/01) → ¥45.4 billion (3/02) = -10.2%**

- **Businesses that are being strengthened due to high profitability**

Cash Plaza	**¥64.4 billion (3/01) → ¥ 89.5 billion (3/02) = +39.1%**
Credit card cash advance	**¥129.9 billion (3/01) → ¥160.1billion (3/02) = +23.2%**
Installment credit (Specified･General)	**¥105.3 billion (3/01) → ¥131 billion (3/02) = +24.3%**

- **Specific measures**

Cash Plaza

Relocate and open new outlets (approx. 60 outlets)

Raise credit limits by introducing Heifer's scoring system

Credit card cash advance

Improve customer solicitation (direct mail and telephone marketing)

Combined credit limit for cash advances and credit card shopping (11/01)

Installment credit

Step up efforts to expand number of affiliated stores

6. LIFE -“HR & Organizational Reform”

- **Establish incentive system for sales personnel**
  - **Implement performance based compensation system**
  - **Delegate authority to sales locations**
  - **Clarify organizational hierarchy**

- **Create system in which the efforts of sales staff directly drive profitability**
  - **Clear distinction between businesses to be grown and those to be shrunk**
  - **Clarify standard profit margin**

- **Sustained cost cutting efforts, including**
  - **Nearly all branch offices subject to relocation (reduce office rent by 65%)**
  - **Reduce executive car privileges**
  - **Return the leased portion of headquarters office space (25%) and return Hiroshima office**

- **Overhaul administrative processes**
  - **Reduce the cost of collecting on long-term delinquent loans (approx. ¥500 million per year) through the application of expertise and system development**
  - **Review outsourced services (property management services, etc.)**
  - **Right size communications lines (review contract formats and right size the number of lines)**

- **Funding Costs**
  - **Securitisation (Y 245bil)**
  - **Credit rating obtained : "R&I:BBB+ (01/9) "**

6. LIFE - Future initiatives-1

- **Increase credit card membership by enhancing card appeal**
  - Diversify access channels
  - Expand additional services
  - Expand locations for using card
  - Expand co-branded cards
  - Issue multi-function cards
  - Provide different interest rates for different customers

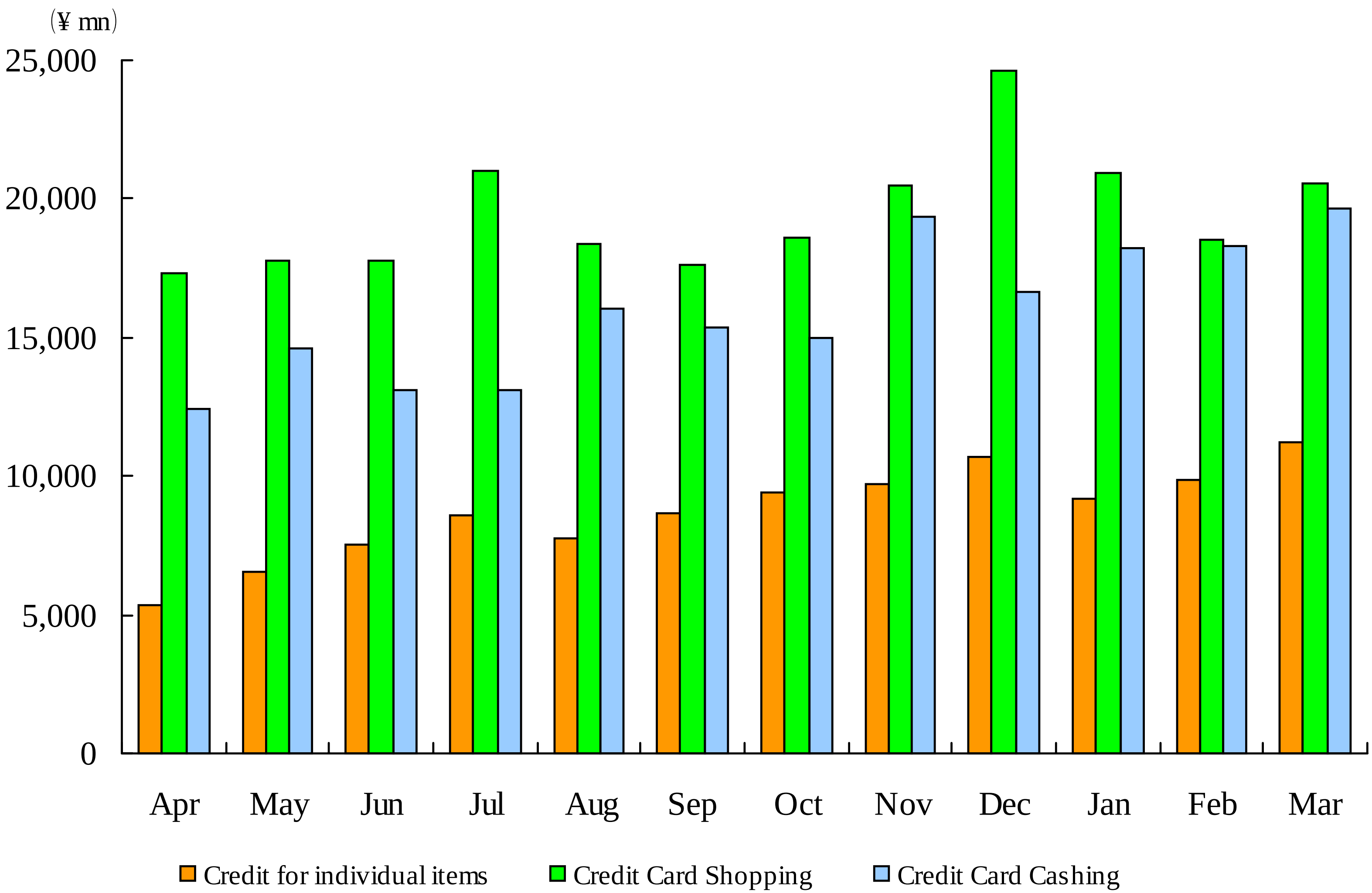
- **Increase card usage by enhancing card convenience**
  - Diversify repayment methods
  - Flexibility in repayment amounts
  - Flexibility in granting credit
  - Differentiate between active and non-active members

6. LIFE - Future initiatives-2

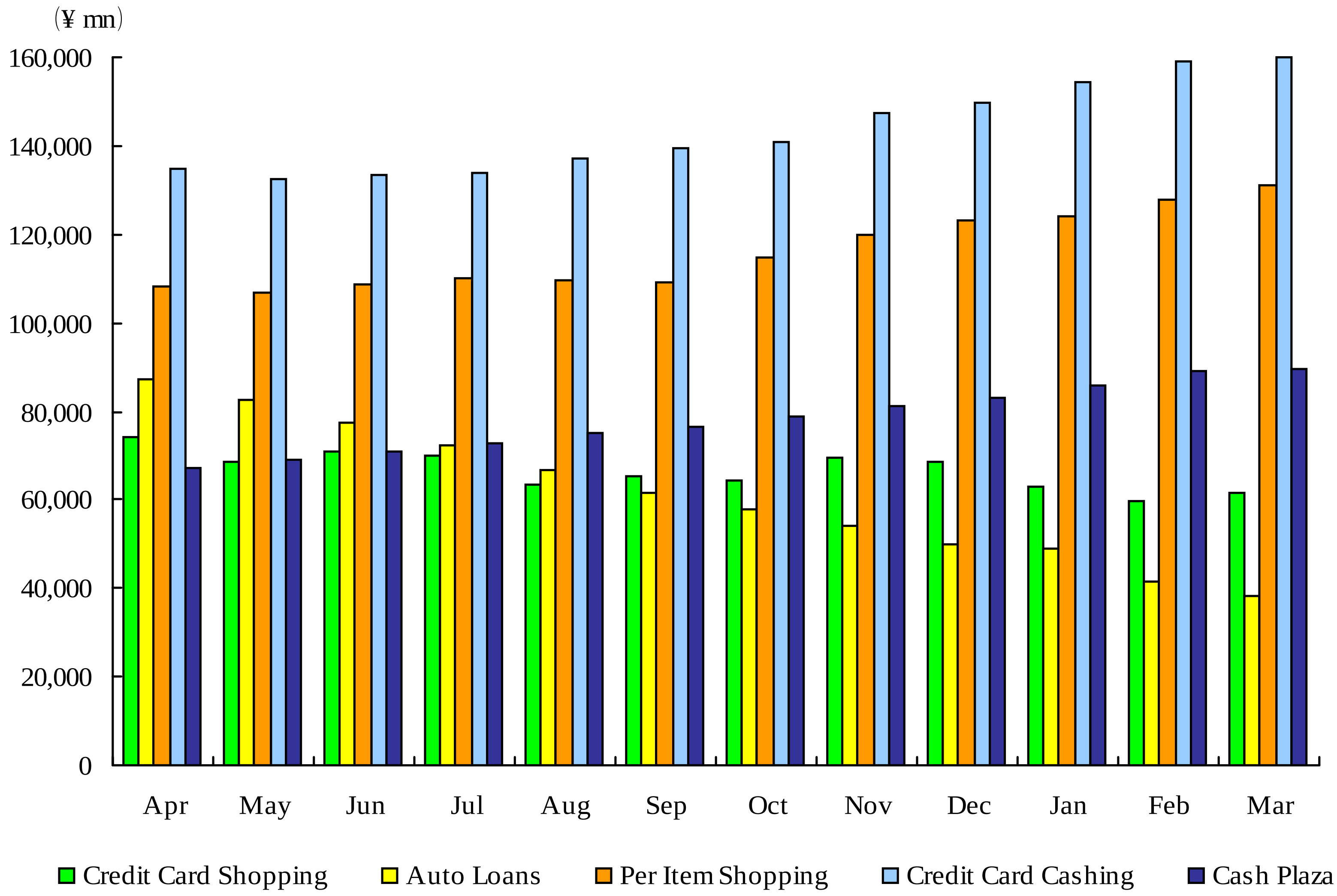
- **Installment credit**
  - Expand sales capabilities
    - Develop niche markets
    - Strengthen branch office sales system
  - Enhance incentives for affiliated stores
    - Expand affiliated store services
    - Develop exclusive website for affiliated stores

- **Cash Plaza**
  - Develop infrastructure
    - Expand store network
  - Strengthen organizational structure
    - Establish position of store general manager

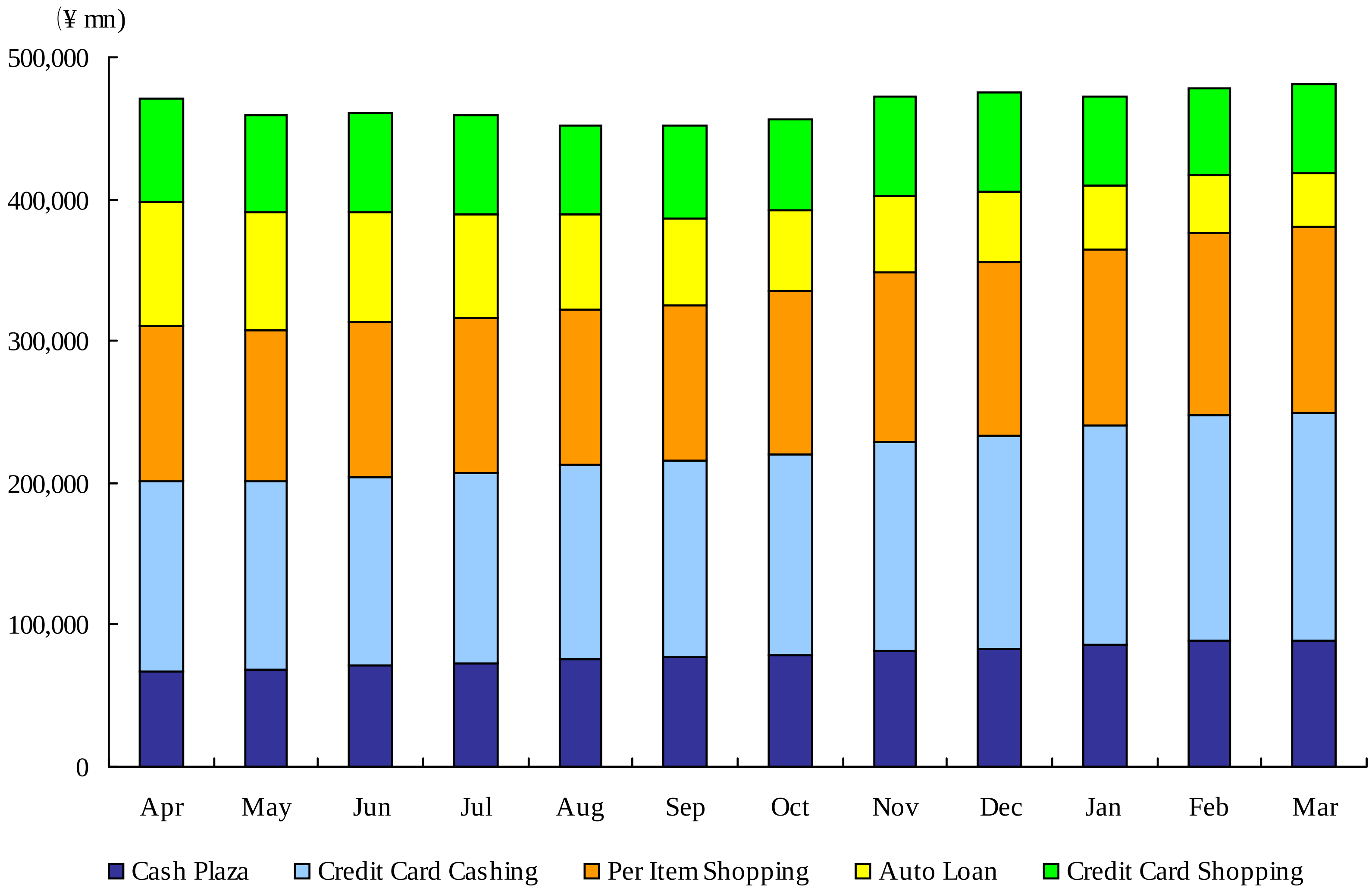
6. LIFE’s statistical data 1) Monthly purchases



6. LIFE's statistical data 2) Month-end receivables



6. LIFE's statistical data　3) Change in share of receivables



AIFUL CORPORATION

i. Operating Revenue (Consolidated)

DATABOOK page

(¥mn)	FY02/3	YoY%	FY03/3 (Forecast)	YoY%	Variables
Operating revenue	397,162	41.5%	452,573	14.0%	Life
Interest on loans	359,318	32.0%	409,276	13.9%	All
Revenue from credit card shopping	6,742	–	7,043	4.5%	Life
Revenue from per item shopping loan	10,353	–	13,287	28.3%	Life
Revenue from guarantees	4,076	–	3,478	▲14.7	Life
Sales of property	2,823	6,925%	–	–	AIFUL
Bad debt write-offs recovered	5,715	62.8%	7,365	28.9%	Life
Other	6,360	97.0%	10,232	60.9%	Life

AIFUL CORPORATION

DATABOOK page

ii. Operating Expenses (Consolidated)

(¥mn)	FY02/3	YoY change	FY03/3 (Forecast)	YoY change	Variables
Operating expenses	285,832	62.1%	321,353	12.4%	LIFE
Financial expenses	34,615	19.6%	42,279	22.1%	All
Cost of sales of property	2,677	4617.8%	–	–	AIFUL
Bad debt write-offs	89,945	74.0%	102,151	13.6%	All
Advertising	26,845	52.1%	25,172	▲6.2%	All
Salaries	45,019	64.1%	50,490	12.2%	All
Consolidation adjustment account	3,178	629.9%	2,579	▲18.8%	LIFE

Operating income	111,329	6.7%	131,220	17.9%	LIFE
Non-operating income	1,333	25.5%	779	▲41.6%	TBF
Non-operating expenses	7,595	307.9%	4,998	▲34.2%	AIFUL
Stock issuance expenses	4,234	–	–	–	AIFUL
Transfer to allowance for bad debts	2,371	122.8%	3,892	TBF	AIFUL

7. Key Statistics

iii. Non-operating profit/loss; Extraordinary profit/loss (Consolidated)

(¥mn)	FY02/3	YoY change	FY03/3 (Forecast)	YoY change	Variables
Ordinary income	105,067	1.5%	127,000	20.9%	－
Extraordinary Income	1,729	2123.7%	601	▲65.2%	LIFE
Extraordinary Losses	44,948	307.3%	985	▲97.8%	AIFUL + LIFE
Loss on sale of fixed asses	31,240	－	－	－	AIFUL + Sanyo
Loss on valuation of investment securities	706	▲53.9%	－	－	AIFUL
Loss on valuation of real estate for sale	2,147	－	－	－	AIFUL
Consolidation adjustment account temporary write-off	9,130	－	－	－	LIFE
Other	1,725	▲33.2%	985	▲42.9%	AIFUL
Income before Taxes	61,848	▲33.2%	126,615	104.7%	－
Corporate Tax etc	36,292	▲21.5%	55,823	53.8%	－
Adjustment on corporate tax	8,907	386%	▲4,307	▲148%	LIFE
Loss of Minority Shareholders	601	1085.4%	196	▲67.4%	Businext
Net Income	35,063	▲27.3%	66,682	90.2%	－

8. Appendix

AIFUL CORPORATION

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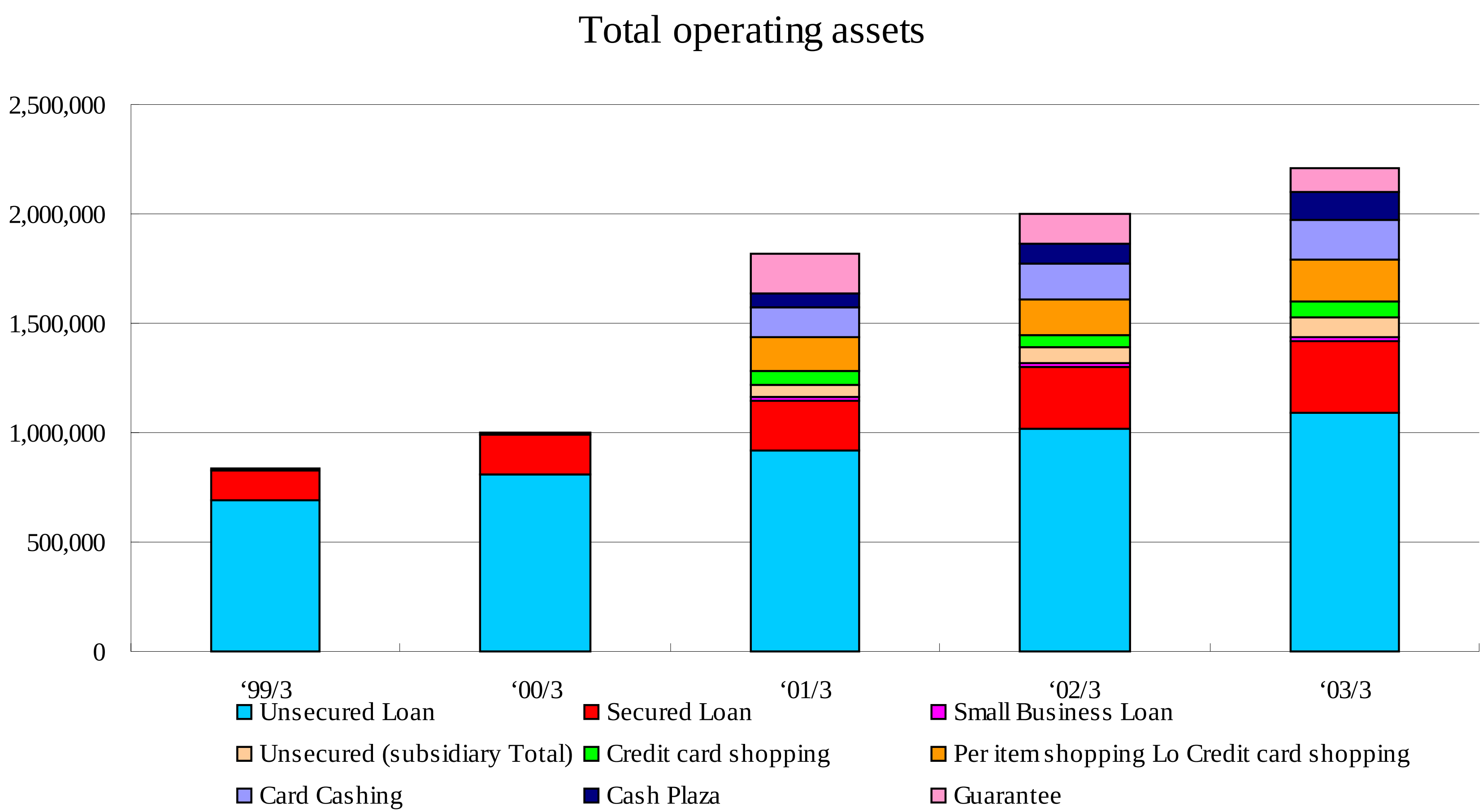
i. Loan Portfolio (Consolidated)



- The data described as "Managed assets basis" includes the operating assets removed from balance sheet by securitization.

AIFUL CORPORATION

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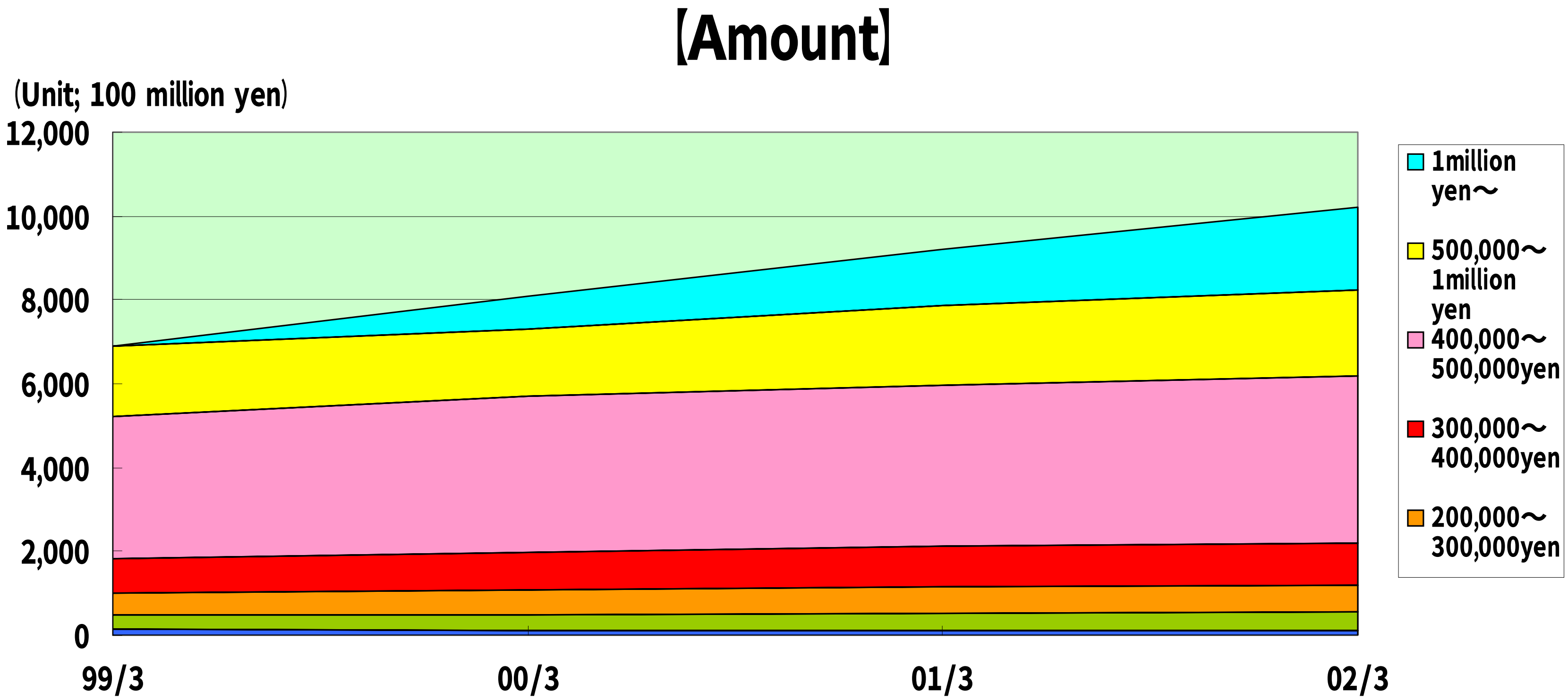
ii. Loans outstanding by loan amount (parent only)



iii. Loans outstanding by interest rate band (parent only)

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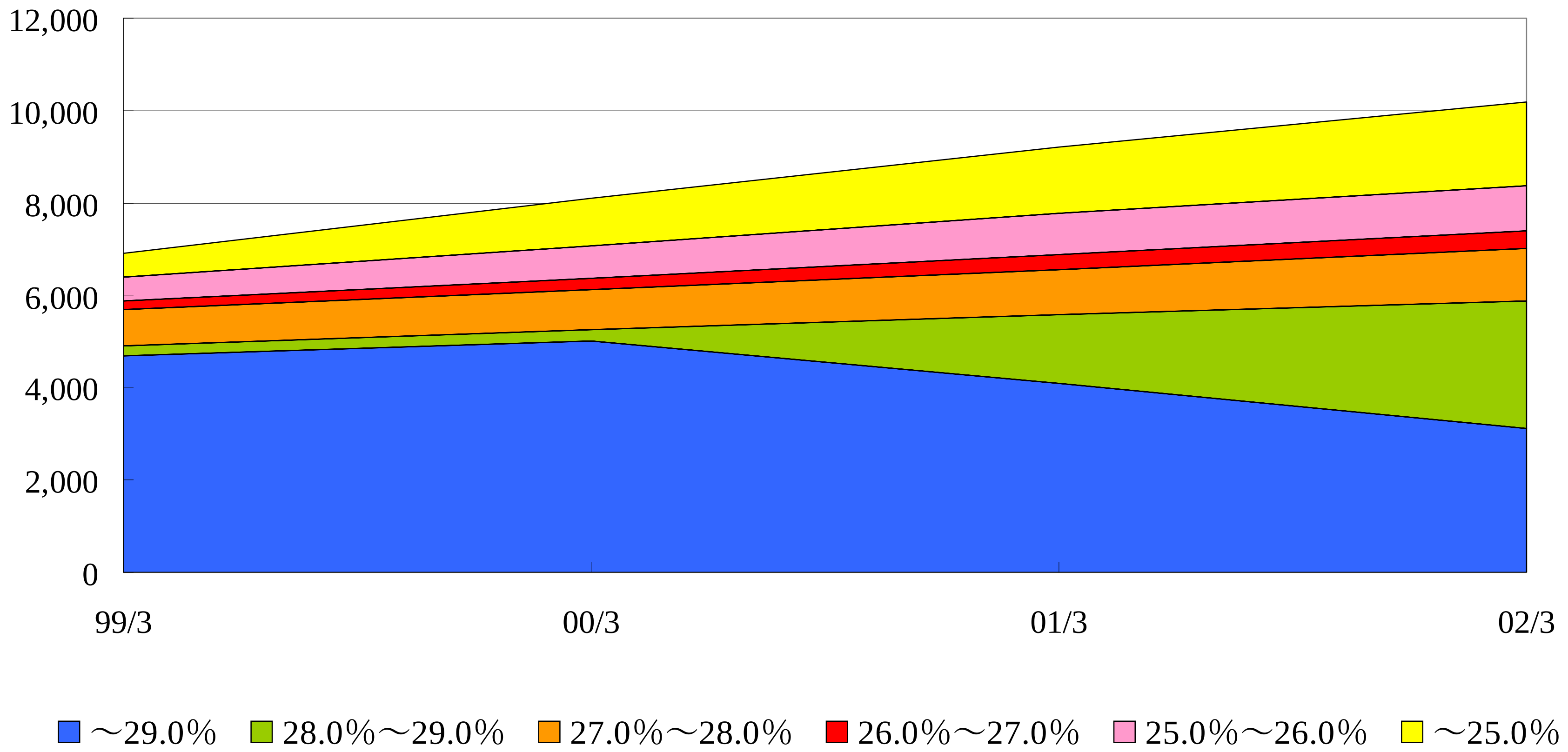
(Unit:100 million yen)



iv. Interest Rates by product (AIFUL Non-Consolidated)

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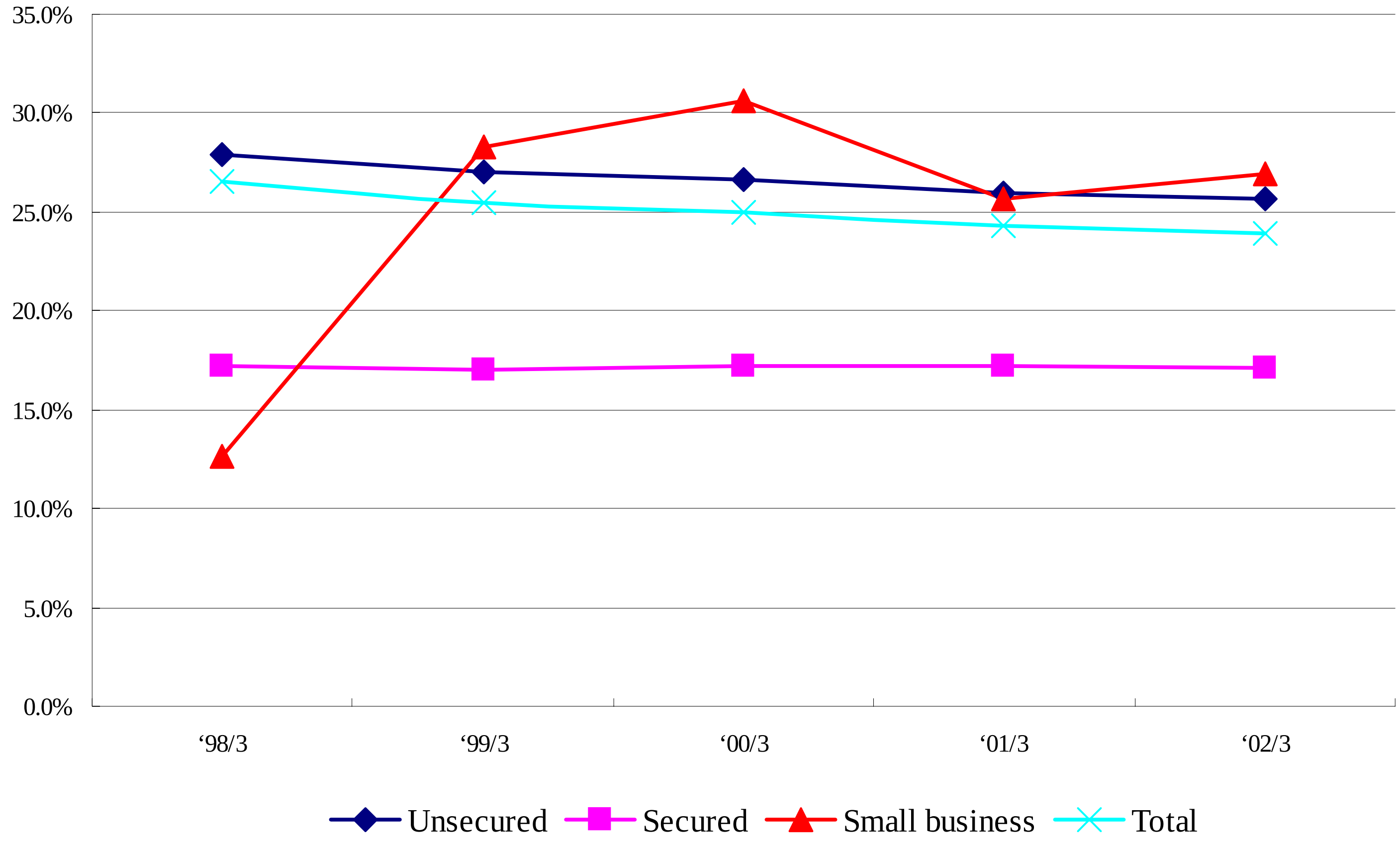

8. Appendix

AIFUL CORPORATION

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v. Financial Statements

(Millions of Yen)	3/98	3/99	3/00	3/01	3/01	3/03 (Forecast)
Ordinary Income	55,894	68,843	85,009	103,533	105,067	127,000
Growth Rate (%)	12.6	23.2	23.5	21.8	1.5	20.9
Net Income	25,003	28,448	44,104	48,252	35,063	66,682
Growth Rate (%)	9.6	13.8	55.0	9.4	▲27.3	90.2
EPS	601.98	610.63	786.13	569.32	390.00	715.81
ROA (%)	3.1	3.0	4.0	2.6	1.8	3.1
ROE (%)	20.9	16.3	19.3	15.7	9.6	14.7
Total Assets	876,726	996,523	1,182,468	1,865,537	2,029,633	2,219,634
Shareholder's Equity Ratio (%)	16.7	20.4	21.4	16.4	20.8	21.8
Remarks	IPO	Global Offering 3.7mil shares		Merged LIFE	Global Offering 8.5mil shares Loss on disposals of real estate ¥33.3bil	

Note: Financial data reported through March 2000 is parent-only, thereafter is consolidated.